SMFG India Home Finance Company Limited

Succession Planning Policy for Directors and Senior Management

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1. Introduction

The Securities and Exchange Board of India (SEBI) has mandated the need for formulation and adoption of a Succession Planning Policy, in terms of Regulation 62 D (4)(9) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR").

Section 178 of the Companies Act, 2013 ("Companies Act") provides for constitution of a Nomination and Remuneration Committee and development of a succession plan for the Board and senior management is a function of the Nomination and Remuneration Committee.

This is to ensure that Company and its investors do not suffer due to sudden or unplanned gaps in leadership at the Board and Senior Management levels. Therefore, it has been mandated for Boards of all listed entities to formulate an action plan for successful transition of directors and senior management personnel.

The Board of Directors (the Board) of the Company has as recommended by the Nomination and Remuneration Committee (NRC) therefore put in place a Succession Planning Policy for the Board and Senior Management (hereinafter called the "Succession Planning Policy").

This Policy shall be read together with the Remuneration Policy of the Company, the Policy on Board Diversity and such other internal policies of the Company as may be applicable.

2. Objective

The objective of Succession Planning Policy includes the following:

a) To identify and conduct requisite diligence of persons who are qualified to be appointed as a Director or as Senior Management personnel and to recommend the same for approval of NRC and the Board of Company, inter alia to maintain talent pool to fill vacancies which may arise in ordinary course of business or to meet the business needs of the Company, from time to time.

b) To identify and set competency requirements for critical and key positions of the Company and to assess qualifications, practical knowledge, experience and expertise and track record of potential candidates for key positions and develop required competencies, through planned development and learning interventions.

c) To identify incumbents who may be appointed as Director or to Senior Managerial positions and assess whether the concerned individual
   1. Can be considered for more responsibilities/elevation
   2. Can be granted an extension in term/service; or
   3. Can be replaced with identified internal candidate or recruit other suitable candidate(s).

d) To ensure systematic and long-term development of personnel for assuming responsibilities at Board and Senior Management levels and to ensure adequate talent pool to meet sudden or unplanned gaps in leadership at the Board and Senior Management levels, that may arise due to disabilities, early termination, retirements, death or due to other unexpected events.

3. Applicability

This Succession Planning Policy shall be applicable in respect of the following post:

1. Chief Executive Officer & Managing Director (CEO & Managing Director);
2. Executive Directors;
3. Non-Executive Directors (Nominee Director and Independent Director);
4. Senior Management - shall include officers and personnel of the Company who are members of its core management team excluding Board of Directors and shall comprise all the members of management one level below the CEO or Managing Director or Whole Time Director or Manager and shall specifically include the functional heads by whatever name called and the persons identified and designated as Key Managerial Personnel other than the Board of Directors, by the Company;
5. Key Managerial Personnel (KMP) shall include (i) the CEO & Managing Director or the Manager, (ii) the Whole-time Director, (iii) the Chief Financial Officer (iv) Company Secretary of the Company, duly appointed by the Board.; such other officer, not more than one level below the Directors who is in whole-time employment, designated as key managerial personnel by the Board of Directors and such other officer as may be prescribed.
6. Any other position as decided by the CEO & Managing Director in consultation with the Nomination and Remuneration Committee.

4. Policy Requirements

The NRC shall in consultation with the CEO & Managing Director and the Head, Human Resources, periodically review the succession planning needs and existing talent pool of the Company.

A. Succession Plan for the Board

The NRC shall periodically review the succession planning needs of the Board, basis the currency of the tenure, the evolving business/ regulatory requirements vis a vis composition of the Board/ Committees thereof.

The NRC, shall conduct requisite diligence to determine the suitability of any person who is being considered for being appointed/ re-appointed as a Director of the Company, considering their qualification, practical knowledge, experience and expertise and track record, and subject to meeting the norms relating to 'fit and proper' / 'independence', as applicable, and basis the outcome of such diligence and his performance evaluation, make suitable recommendations for approval of the Board.

The NRC, shall consider the norms prescribed under the Companies Act, 2013, the SEBI LODR and the Directions/ Guidelines issued by the RBI in relating to tenure, age, fit and proper, independence, conflict of interest, directorship in other companies/ sectors, specific qualifications, experience and expertise, whilst evaluating proposals relating to appointment/ re-appointment or enhancing the role of a Director within the Board/ Board Committee(s).

B. Succession Plan for the Senior Managerial Personnel

The Company shall periodically review the senior managerial personnel due for retirement/attrition within the year. It shall also consider new vacancies that may arise because of change in business needs/up-gradation of

Department(s)/Regional Office(s) and assess the availability of suitable candidates to manage the future growth and development of the Company.

Further, based on the recommendations of the CEO and Managing Director, the NRC, shall evaluate the incumbent after considering all relevant criteria like experience, age, health, qualification, experience, track record, leadership etc. and recommend to the Board whether the concerned incumbent

a. should be granted an extension in term/service; or
b. should be replaced with an identified internal or external candidate.

i. shall identify the competency requirements for senior management positions, and identify potential candidates and develop required competencies, for their development through planned development and learning initiatives.

ii. may recommend to the Board to appoint suitable external candidate(s) as special recruitment at senior managerial level, based on job roles and fill competency gap, in order to ensure a continuous flow of talented people, to meet the growth and development of the Company.

iii. The process to be followed for above, would be as under:

a. The prevailing promotion/transfer practices of the Company shall be designed in such a way that the existing/proposed senior managerial personnel shall be given adequate experience and exposure so that necessary skills are developed to facilitate career progression, prepare them for higher responsibilities and to discharge their functions effectively in senior managerial positions.

b. Where it is decided to appoint an external candidate, timely and planned steps shall be taken for his selection so that the appointment is made well before the retirement/ separation of the concerned officer and to ensure the smooth transition.

c. While making its recommendation, the NRC shall in consultation with the CEO & Managing Director, consider all factors including the talent pool available within the Company and the need to ensure continuous working and growth of the Company.

d. The recommendation(s) of the NRC in respect of candidature for Senior Management personnel, shall be placed before the Board, for its approval.

e. The CEO & Managing Director shall from time to time identify high-potential employees who merit faster career progression to position of higher responsibility and formulate, administer, monitor & review the process of skill development and identify training requirements.

f. Every Senior Management personnel shall endeavor to groom in-house talent and enhance human capital capability, by mentoring officials with demonstrated ability to assume responsibility, who can take over in case of his absence, by exposing him to all aspects of work being handled by him.

g. In the event of any unexpected occurrence in respect of any Senior Management personnel, the successor in line as per the organization chart administered by the Head, Human Resources, shall be entrusted with interim charge for the concerned position, pending activation of succession planning process, in term of this Succession Planning Policy.

h. Proper framework shall be put in place to ensure that transition is smooth to the extent possible, so that to ensure that the successor is in a position to effectively discharge his obligation. The concerned Senior Management member shall oversee such transition process and in case of Senior Management member leaving the Company, such oversight shall be exercised by the Head, Human Resources with the assistance of any other Senior Management members.

i. In addition to the above, the appointment/ re-appointment/ separation of Director, Senior Management members and Key Managerial Personnel (KMP) of the Company shall be made within prescribed timeline, in accordance with the relevant provisions of the Companies Act, 2013, the relevant Rules made thereunder, the SEBI LODR and the Master Directors/ Guidelines issued by the RBI, in this regard, from time to time, which shall primarily involve the following:

   i. Obtain a consent letter from the proposed Director (DIR-2), Senior Management members, and Key Managerial Personnel (KMP). For Directors/KMP, also gather any additional documents or declarations as required by applicable laws.
   ii. Reporting of Company Secretary & Compliance Officer (KMP) shall be not more than one level below the board of directors.
   iii. NRC to recommend the appointment to the Board of Directors.
   iv. Board of Directors to approve the appointment.
   v. Intimation to Stock Exchange, RBI, IRDAI, Debenture Trustee etc. as required.
   vi. Filing of necessary forms with Registrar of Companies (ROC), as applicable.

j. The Company shall ensure that relevant details/intimation in respect of appointments/resignation/cessation of Directors, Chief Risk Officer, Chief Compliance Officer and Key Managerial Personnel are submitted to the RBI, Stock Exchanges, IRDAI, Debenture Trustee and other statutory/ regulatory authorities, in accordance with the extant norms, as applicable.

k. This Succession Planning Policy shall be subject to the principles prescribed in the Policy on Board Diversity, as approved by the NRC and the Board, from time to time.

For matters relating to remuneration payable to Directors and Senior Management of the Company, the same shall be subject to the Remuneration Policy for Directors and Senior Management of the Company, as approved by the NRC and the Board, from time to time.

The NRC may utilize the services of professional search firms to assist in identifying and evaluating potential candidates for Board and Senior Management level.

5. Approval and Reporting Requirements

The concerned Senior Management member shall be responsible to obtain requisite approval of the Shareholders of the Company.

The concerned Senior Management shall in consultation with the Chief Compliance Officer/ Company Secretary, ensure relevant information required to be disclosed to the Stock Exchange/ Regulators, as mandated under the extant norms, are provided. Such reporting shall be made by the Company, in prescribed format under the applicable norms or as per the format/ template adopted by the Company.

6. Record Keeping

All documents relating to appointment/ re-appointment/ separation of Directors/ Senior Management personnel shall be preserved for such period(s) and in such manner, as mentioned in the Company's policy on preservation of document.